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USAID/BANJUL

ASSESSMENT OF PROGRAM IMPACT

May 1, 1995

THE GAMBIA

TABLE OF CONTENTS

INTRODUCTION

This is an unusual Assessment of Program Impact. It records the high level of impact, particularly in the formal private sector, of the economic growth program implemented by USAID/Gambia up until the military coup d'etat in July, 1994. It also demonstrates the damage sustained by the formal private sector following the coup and subsequent political events of the second half of 1994.

Following the coup, USAID/Gambia immediately suspended all assistance and began an orderly close-out of its economic growth program, as required by Section 508 of the Foreign Assistance Act. All activities will cease by March 21, 1995, eight months after the coup. Any future U.S. assistance to the Gambia would be in the realm of democracy and governance, aiming to assist Gambians through a transition back to democratic government. Thus, this Assessment of Program Impact is "one for the books." This is because the Mission's economic growth activities will not be resumed within the foreseeable future, unless there is a speedy return to democracy.

This does not mean that this Assessment of Program Impact is uninteresting. Quite the contrary. Those impact indicators that depend on measurements taken in June, 1994, show that the Government of The Gambia's (GOTG's) economic reforms, as supported by USAID's program, were having a positive impact on the formal private sector. Most impact indicators show progress against the baseline. Inflation was under control, agricultural production per capita increased slightly, average real wages continued to increase, and the banking sector showed continued progress.

On the other hand, those impact indicators that depend on measurements taken six months later, in December, 1994, show the dramatic effect of the coup-instigated recession on the formal private economy. Employment levels dropped by 25% in the formal economy, across several sectors, especially trade and tourism. Real average wages appear to have gone up because the employees who were laid off first were the lowest paid.

This API rounds out the now-terminated economic growth program by demonstrating its impact. It also demonstrates the nefarious impact on the Gambian economy of the political events surrounding the coup. Finally, there is a suggestion in the indicators of this API that the Gambian economy can pull out of its current recession with the proper mix of stable macroeconomic policies and donor support.

NOTES

Note 1: Because the economic growth program measured by the impact indicators in this API has been halted, there are only "actual" figures -- no "planned" figures.

Note 2: Africa Bureau Supplementary Guidance on the APIs for FY 1994 calls for special reporting on gender impacts, which appears throughout this API. That guidance also calls for a special Section IV for supplementary reporting for activities outside the program logframe in the areas of Economic Growth, Democracy/Governance, Population, and Environment. Because USAID/Gambia did not operate any activities outside of its program logframe, it is not submitting a Section IV. In lieu thereof Section IV presents a summary of lessons learned.

COUNTRY PROGRAM ELEMENTS

Each of the Mission's three major programs initiated in fiscal years 1991 and 1992, the Mission's continuing Human Resources Development (HRDA) project, and the monetized food aid program overlapped and supported each other. All supported the Agency's priority areas.

-- The **Financial Sector Restructuring Program (FSR)** provided a $2.0 million cash grant ($5.0 million planned) conditioned on policy reform and a $1.1 million support project ($1.8 million planned) to promote increased bank competition, improved bank supervision and improved debt collection procedures.

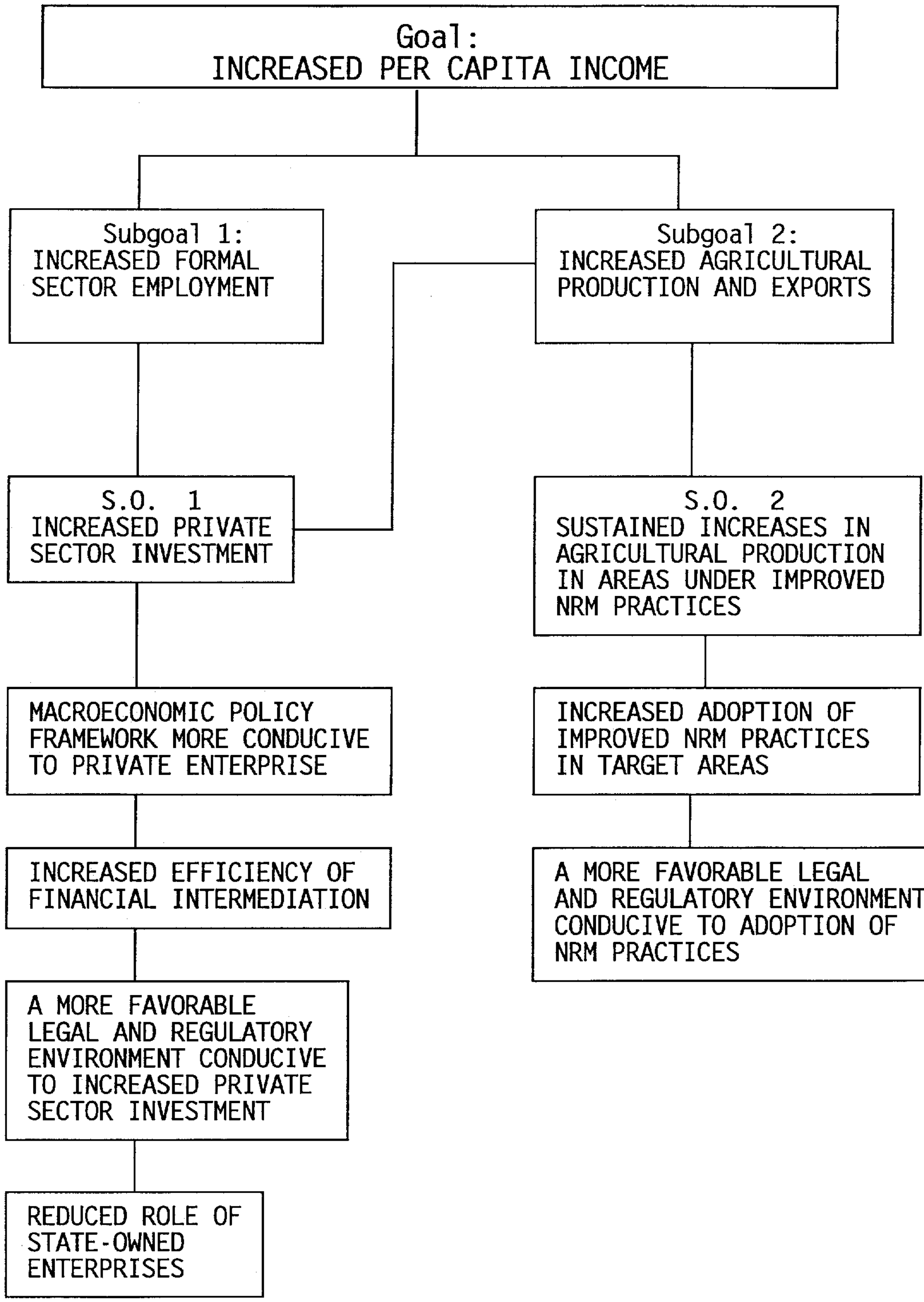
-- The **Financial and Private Enterprise Development Program (FAPE)** provided a $3.0 million cash grant ($9.0 million planned) conditioned on policy reform and a $4.1 million support project ($8.35 million planned) to promote sound macroeconomic policy, enact a favorable legal and regulatory climate, improve the efficiency of the oilseeds industry, including privatization, and support Gambian entrepreneurs in starting or expanding business enterprises.

-- The **Agriculture and Natural Resources Program (ANR)** provided a $ 4.0 million cash grant ($10.0 million planned) conditioned on policy reform and a $3.1 million support project ($12.5 million planned), designed to strengthen the national policy and institutional framework governing natural resources, create an enabling framework that would allow local communities to assume management control of, and benefit financially from, local land-based resources, and further the adoption of improved natural resource technologies.

-- The **Human Resources Development for Africa Project (HRDA)** provided $1.5 million ($2.5 million planned) in training assistance to strengthen the policy reform process and to build capacity at those Ministries implementing activities related to the Mission's country program. In addition, the project provided training for private businesses to support domestic investment and exports.

-- The **P.L. 480 Title II Program** provided almost $2.0 million a year in food commodities to improve the nutritional status of rural Gambian women and their children and to expand income earning opportunities for rural women. Approximately 25,900 rural Gambian women and their children benefitted from these activities.

The Gambia Program Logframe



SECTION I

SPECIAL FACTORS AFFECTING THE USAID/GAMBIA PROGRAM

BACKGROUND:

The Gambia had successfully completed the first phase of restructuring, the Economic Reform Programme (ERP) and in 1990 moved into the second phase, the Programme for Sustained Development (PSD). The ERP, which started in August 1985 and ended in June 1989, restored macroeconomic equilibrium, de-regulated major areas of economic and financial activity, began the privatization of productive assets of the government and acknowledged the private sector as the main engine of growth. The Dalasi was successfully floated, capital movements were unrestricted, and interest rates were determined by market forces. Confidence in the banking sector had been restored, and the Government had maintained discipline in monetary and credit policies. The creditworthiness of The Gambia had been restored, foreign debts were serviced in a timely manner and foreign exchange reserves could finance six months of imports. The ERP, coming after the hardships caused by the Sahelian drought of the early 1980s, had established many of the pre-conditions necessary for long-term growth. In April 1994, the Government launched the Strategy for Poverty Alleviation (SPA) marking its commitment to bring improvement in the lives of ordinary people. Against this background, political events have brought the economy to a near-standstill.

POLITICAL TURMOIL:

On July 22, 1994, the Armed Forces Provisional Ruling Council (AFPRC), a group of young lieutenants (now captains), toppled the government in a bloodless coup that lasted only a matter of hours. The leaders came to power with the claim that they had no choice but to "save" The Gambia from corruption in government, and the promise that this would be a "different kind of coup." Neither the press, nor the men and women in the streets have suggested that change was not necessary. Many said that the People's Progressive Party (PPP) had a stranglehold on the country, that the "Banjul Mafia" controlled resources and that the coup was the only way the former President would have left office.

The AFPRC's popularity was short-lived, however. Popular opinion turned against the young soldiers when they announced a timetable for transition back to democracy of four and one-half years -- far too long for a country that is experienced in running elections. European governments, concerned for the safety of their citizens who planned to visit the Gambia as tourists, were frightened by the turbulence within the ruling group, which turned bloody in the failed counter-coup attempt of November 11, 1994. The British and Danish governments issued travel advisories, effectively wiping out the tourist high season for 1994-95.

Donors, dismayed that the AFPRC's clear lack of sophistication in fiscal management risked the dismantling of ten years of economic reforms, and wishing to make a strong statement in favor of democracy, suspended or terminated balance of payments support. USAID terminated all direct assistance as required by U.S. law in the case of a military coup against an elected government, thereby also closing the support for the economic reform program. As a result, business confidence has collapsed and trade and investment are operating at extremely low levels of economic activity. The withdrawal of tourists and donors from the Gambian economy has also contributed to the crash in incomes and employment.

The first eight months of AFPRC rule have been ridden with turmoil. However, one positive sign to emerge recently is the military's decision to cut back the transition period to two years from the date of the coup -- a decision taken after very public consultations with the Gambian people. USAID is going to work in the Gambia on a new program that promotes democracy and governance through a strengthened civil society. The program that is assessed in this API will not be revived until and unless democracy is returned.

THE CFA DEVALUATION AND TRADE RELATIONS WITH SENEGAL:

As described in last year's Assessment of Program Impact, the Gambian economy has been too reliant on the income provided by the re-export trade -- a trade that was profitable only so long as the policies of Gambia's neighbors made it so. Those policies changed rapidly at the end of 1993. The re-export trade faced the proverbial "three strikes and you're out": (1) the CFA franc was made nonconvertible outside the Franc zone, raising costs for traders; (2) Senegal closed its border with the Gambia to traders sending goods to countries bordering on Senegal, further raising costs for traders and forcing them to shift operations to other countries; and (3) the CFA was devalued, removing the driving force behind the re-export trade. Each of these external shocks made re-export from the Gambia progressively more difficult and less profitable. The resulting impact on the Gambian economy has been painful.

The Mission program has been working to help Gambians diversify their economy and their export base beyond rain-reliant groundnuts and Senegal-reliant re-exports. Nevertheless, the export climate in general depends on healthy trade relations with Gambia's only neighbor.

RAPID POPULATION GROWTH:

As reported in last year's API, rapid population growth of about 4 percent in the Gambia overwhelms the steady but modest gains seen in economic growth. A much higher level of economic growth than foreseen would be necessary to prevent declining standards of living. The tightly focussed USAID program did not address this constraint, but it is clear that an effective population program is a high priority for The Gambia.

SECTION II

PROGRESS TOWARD OVERALL PROGRAM GOALS

The Gambia has been described by the World Bank as "the jewel" of West Africa for its impressive macroeconomic stability and its appropriate reform policies. Since 1985, the Government of the Gambia has been transforming the economy toward private-sector led, export driven growth.

BASIC DATA ON THE GAMBIA	
POPULATION, 1993 (million)	1.0
PER CAPITA GDP, 1992	$340
ADULT LITERACY RATE	27%
POPULATION GROWTH RATE	4.1%
MANUFACTURING, % OF GDP	6.0%
IMR, 1991 (per 1,000)	135
HUMAN DEVELOPMENT INDEX	.086

USAID/The Gambia's supporting strategy was to work with government to establish a policy, legal and institutional framework supportive of private sector activities. The program focused on broad-based sustainable economic growth. USAID's strategy goal and strategic objectives were to increase per capita income through increasing private sector investment and improving natural resource management practices. The Mission has cooperated with and provided capacity-building support to six key institutions -- the Central Bank, Ministry of Finance and Economic Affairs, National Investment Board, Ministry of Justice, Ministry of Natural Resources, and the National Environmental Agency. The key elements of the Mission's program were to foster macroeconomic stability, to lower tax rates, to expand the tax base and improve tax administration, to improve financial intermediation, to improve the regulatory environment for investment, to modernize the judicial system, to provide direct assistance to private firms, and to arrest environmental degradation through participatory policy reform and community-based village programs.

Performance Indicator: Real per capita income - In the fiscal year ending in June 1994, **real per capita income** declined by 1.7 percent. Real GDP increased by 2.3 percent over that fiscal year, a low rate that was overwhelmed by an estimated population growth rate of about 4 percent. Growth was spread across nearly all sectors of the economy, led by hotels and restaurants (40%), groundnut production (39.7%), groundnut trade (14.5%) and communications and transport (9.6%). However, these gains were defeated by negative real growth in non-groundnut trade (-25.0%). If the trade sector had even been stagnant or grown slightly over the last year, total real GDP growth could have been as high as 4.8

percent, enough to match the rapid population growth rate. This demonstrates the inherent weakness in the Gambia's reliance on the re-export trade.

Sadly, The Gambia's economic growth was disrupted by the military coup and subsequent events which the coup had triggered. Most recent estimates indicate that **real GDP is likely to decline by over 5 percent in 1994/95.** The World Bank estimates that all sectors of the economy will show negative real growth in fiscal 1994/95, with the exception of agriculture. Real GDP per capita is estimated to decline by 8.8 percent in the same period.

Performance Indicator: Real Wages - The other Program Goal performance indicator tracked by the Mission is average monthly **real wages** for private sector firms hiring five or more employees in eight sectors, as of December 31 of each year. Real wages continued to grow in 1993 (2.1%) and in 1994 (13.3%). However, the 1994 increase hides a dramatic decrease in total nominal wages for all eight sectors (-13%) from a year earlier, as well as a dramatic downsizing of employment (see Subgoal One Performance Indicator). The 1994 increase in average real wages probably results from firms laying off newer, and thus lower-paid, workers first during the six months after the coup.

In any case, setting aside the statistical anomaly of 1994, the positive growth in real wages since 1988 demonstrates that real wages for private sector workers increased in response to economic reforms.

Wages by Gender - The Mission disaggregates by gender the wage and employment data collected for the formal private sector. In 1993, average wages for males were 9 percent higher than for females; in 1994, average wages for females were 5 percent higher than for males. In both years, average wages were higher for females in manufacturing (23% and 32%), construction (7% and 45%) and transport (3.2% and 27%), while wages were consistently higher for males in fishing (46% and 30%), tourism (13% and 17%), trade (12% both years), finance (16% and 13%) and horticulture (80% and 117%). It is difficult to draw conclusions from these results, especially since the data is not disaggregated by skill levels. In any case, it is clear that the Gambian private sector moved across the parity threshold during a year of considerable layoffs and closings, making further conclusions about progress hazardous at best.

Wages in Urban Areas Outside of Greater Banjul - The Mission's wage and employment survey of private sector firms includes two urban areas outside of the greater Banjul area, Basse and Farafenni. For 1993 and 1994, average wages in Basse were 80 percent and 71 percent respectively of average wages in greater Banjul, while average wages in Farafenni were 44 percent and 48 percent respectively of wages in greater Banjul. Nominal wages in Basse kept pace with inflation over the two years, rising 14% in 1993 and 4.4% in 1994, against inflation (for Banjul) of 5.1% and 5.0%; while in Farafenni nominal average wages fell 29% and 27% over the two years. The economies of both towns are closely related to the re-export trade which has decreased dramatically over the reporting period.

	BASELINE	ACTUAL 1991/92	1992/93	1993/94	1994/95
GOAL: INCREASED PER CAPITA INCOME **Performance Indicators**					
1) Real GDP (at 1976/77 constant prices in millions of Dalasis)	D538.7	D564.3	D572.4	D585.7	D554.9
2) Real Per Capita Income (GDP at factor cost, 1976/77 constant prices in Dalasis)	D607 (1985/86)	D580	D564	D555	D506
3) Formal sector real wages. Definition: Average monthly wage in 8 sectors reported by Social Security, deflated by CPI, as of December 31. Only firms employing five or more workers are included.	D55.9 (1988)	D69.2 (1992)	D70.7 (1993)	D80.1 (1994)	
SUBGOAL 1: INCREASED FORMAL SECTOR EMPLOYMENT **Performance Indicators:**					
1) Formal sector employment (gender disaggregated). Definition: Number of employees in 8 sectors reported by Social Security, as of Dec. 31. Total does not always equal sum of genders since not all data for firms could be gender disaggregated.	4,368 male 1,065 female 5,510 total (1988)	5,402 male 1,632 female 7,155 total (1992)*	5,354 male 1,523 female 7,187 total (1993)*	3,949 male 1,087 female 5,312 total (1994)	NA
*Numbers of employees in each year may vary from previous reports as a result of privatization actions. Once a firm is privatized, the employment figures are shifted out of the public into the private sector. Totals were adjusted so that the data base would remain consistent.					
SUBGOAL 2: INCREASED AGRICULTURAL PRODUCTION AND EXPORTS **Performance Indicators:**					
1) Non-groundnut exports as percentage of total export earnings. Definition: Total exports excludes re-exports.	30.4% (D 30.0/98.6) (1987/88)	50.0% (D52.1/104.1)	77.2% (D43.7/56.6)	NA	NA
2) Value of non-groundnut domestically produced exports, in millions.	D30.1 (1987/88)	D52.1	D43.7	NA	NA
3) Real per capita agricultural production Definition: Sum of crop, livestock, and forestry production at 1976/77 prices divided by population.	D137 (1985/86)	D115	D95	D103	D115

SUBGOAL 1: INCREASED FORMAL SECTOR EMPLOYMENT

The encouraging trend in increased private sector employment continued through 1993 but was dramatically reversed in late 1994 following the political turmoil after the military coup.

Performance Indicator: Formal Private Sector Employment - The Mission's wage and employment surveys show that private sector employment increased steadily from 1988-1992 at an annual average growth rate of 4.7%. The trend continued into 1993 as employment expanded by 2.8%. Total female employment shrank in 1993 by 4.5%, mostly due to losses in the tourism industry, which experienced a mild setback during the European recession. The general trend, however, was encouraging, in that it demonstrated that a growing private sector can produce jobs for Gambians.

However, the formal private sector suffered a tremendous shock following the military coup in July, 1994. Total employment fell by 27.5% by December 1994 as firms laid off workers, then closed. The tourist industry led the downward spiral, as hotels and restaurants closed when travel advisories by European governments kept the tourists away. The construction industry followed suit, laying off many temporary and full-time workers when donors, the largest financiers of new construction, suspended or terminated projects. The horticulture industry shed employees, as expected, due to limitations on growth of the industry, including lack of airfreight capacity from Banjul for exports into European markets. Formal private sector employment is now lower than in December, 1988.

Will the downward spiral continue? Our survey data suggests that capacity for rapid recovery exists. There were no major formal sector job losses outside of the industries mentioned above. Fishing, trade and finance held steady employment levels, while manufacturing actually increased employment in 1994. As discussed below, the total number of private sector firms held steady in all industries but tourism.

It should be noted that there does not appear to have been a significant gender difference in the decrease in total employment -- female employment fell by 31.6% while male employment fell by 26.4%.

Employment Levels Outside of Greater Banjul - Formal private sector employment in Basse fell by 1% in 1993 and by 5% in 1994, to finish at a total of 138 employees. Formal private sector employment in Farafenni rose by 43% in 1993 and fell by 3% in 1994, to finish at a total of 100 employees. The formal private sector is still nascent in these towns -- but growing.

SUBGOAL 2: INCREASED AGRICULTURAL PRODUCTION AND EXPORTS

The indicators for Subgoal 2 show that the Mission program continued to have considerable impact in the area of export promotion, while impact on per capita agricultural production was limited.

Performance Indicator: Non-groundnut exports as a percentage of total exports - Gambian efforts to diversify the export base continued to pay off as non-groundnut domestically-produced exports rose to 77.2 percent of total export earnings for 1992/93, the latest figures available. This rise is also partly explainable through the drop in groundnut exports due to lower production in a low rainfall year.

Performance Indicator: Value of non-groundnut domestically produced exports - The value of non-groundnut exports dipped slightly in 1992/93 from the previous year. Major non-groundnut exports in 1992/93 included seafood, vegetables, candy, and horticultural products. The drop in this indicator is nearly entirely accounted for by the large drop in horticultural exports, due, as mentioned elsewhere, to limited capacity and airfreight capabilities in The Gambia.

Performance Indicator: Real Per Capita Agricultural Production - This indicator comprises crop, livestock and forestry production divided by total population. Since the baseline year of 1985/86, per capita production has deteriorated. This trend has continued through 1993/94. Total production has increased modestly due to good rainfall. This trend is likely to continue until the nonagricultural economy shows positive growth again and is able to reabsorb its workers which are now in agriculture. The Mission program addressed the natural resource constraints on production in Strategic Objective Two, through the ANR Program.

SECTION III

PROGRESS TOWARD STRATEGIC OBJECTIVES AND RELATED PROGRESS INDICATORS

STRATEGIC OBJECTIVE ONE - INCREASED PRIVATE SECTOR INVESTMENT

The Mission's first strategic objective was to increase private sector investment, and there were two NPA programs, with supporting projects, which complemented each other in achieving this objective.

The first program was the Financial Sector Restructuring Program (FSR) which was designed to improve the efficiency of financial intermediation in promoting savings and investment and in allocating savings to their most productive uses. Under this program, the parastatal bank was privatized, the central bank eliminated credit controls, and three laws were enacted which improved debt recovery procedures. Under the FSR support project, banking supervision was improved, a plan for advancing the role of rural non-bank financial institutions was developed, and the mission helped to establish an Asset Management Recovery Company (AMRC) to collect the outstanding debts of the privatized commercial bank. Problems in debt collection efforts uncovered by AMRC led the Ministry of Justice to seek solutions through administrative reforms of the judicial system.

Complementing the FSR program was the Mission's Financial and Private Enterprise Development (FAPE) program, which was intended to enhance the enabling environment for increased private investment and growth of private enterprises. Under FAPE, the groundnut processing parastatal (GPMB) was privatized and the government agreed to a major tax policy and tax administration reform program. As a consequence of improved tax compliance, the government announced a major reduction in company taxes which should help to stimulate private investment. Under the FAPE support project, two long-term advisers were placed with the Ministry of Finance where they developed simulation and analytical models, trained staff, and prepared recommendations for sectoral tax reforms. Assistance was provided to the Ministry of Justice to introduce modernized court reporting in the country and to improve all laws affecting the private sector. In addition, a long-term adviser in the National Investment Board developed an investment promotion program and was managing the provision of technical and training assistance directly to private firms. Technical support was also provided to the MFEA to increase the capacity of the Ministry to analyze and formulate economic policies. Preliminary program results indicated that the reforms supported by the program were increasing the role of the private sector in the economy.

Performance Indicator: Gross domestic investment relative to GDP
Gross domestic investment continued to increase in FY 1993/94 both in absolute and relative terms. This increase was primarily caused by private sector investments (mainly construction) which rose to 14.4 percent of GDP in that fiscal year. Private sector savings, partially indicated by savings deposits with the commercial banks, stood at their highest levels in June 1994 compared to any other time since the base period. Nevertheless, private savings as a percentage of GDP are still at a very low level.

	BASELINE	ACTUAL			
		1991/92	1992/93	1993/94	1994/95
SO 1: Increased Private Sector Investment **Performance Indicators:**					
1) Gross domestic investment as % of GDP	15.4% (1985/86)	17.8%	19.2%	19.8%	NA
2) Private sector investment as % of GDP	8.2% (1985/86)	13.7%	12.2%	14.4%	NA
3) Private sector savings as % of GDP	-2.4% (1985/86)	2.2%	NA	1.0%	NA
Narrative Comments/Notes: Private sector investment and savings includes public enterprises.					

Program Outcome 1.1 - MACROECONOMIC STABILITY

One of the characteristics that led the World Bank to dub the Gambia as its "jewel" of West Africa is macroeconomic stability -- a condition which is also critical to attracting foreign investment and sparking domestic investment. The Mission has been involved in building capacity through long-term technical assistance in economic policy formulation and analysis at the MFEA since 1985. The GOTG's commitment to macro stability is quite evident in the three indicators selected to track performance. Indeed, even during the difficult times of the last six months, MFEA and Central Bank officials have maintained macroeconomic policies, demonstrating both the value of the technical assistance provided in the past and the ownership of policies taken by Gambian officials. A recent World Bank note congratulated these officials for their resolve.

Performance Indicator: Inflation - The first performance indicator shows the dramatic drop in **inflation rates** in the country, from 70.4% annually in 1985/86 to

4.0% annually as of June, 1994. As of this writing, the political turmoil in the Government of the Gambia has not yet led to monetary mismanagement in the Central Bank of the Gambia. In fact, inflation may have fallen as low as 1.7% annually by December, 1994.

	BASELINE	ACTUAL			
		1991/92	1992/93	1993/94	1994/95
Program Outcome 1.1: Macroeconomic Policy Framework Conducive to Private Enterprise Performance Indicators					
1) Rate of inflation	70.4% (1985/86)	11.8%	11.2%	4.0%	NA
2) Fiscal deficit (millions of Dalasis)	D155	D90.5	D80.6	D98.0	D86.0*
3) Fiscal deficit as % of GDP Definition: Government budget deficit as percentage of GDP, excluding grants	-4.1% (1985/86)	-4.1%	-2.0%	3.1% D98.0mill/ GDP	2.8%*
4) Real interest rate Definition: End of June Treasury bill rate minus annual percentage change in Consumer Prices *Estimates	13.2% (18.5-5.3) (1990/91)	7.2% (19-11.8)	5.8% (17-11.2)	11.5% (15.5-4.0)	NA

Performance Indicator: Fiscal Deficit - The fiscal deficit in 1993/94 was D98.0 million or 3.1% of GDP at current prices. The deficit increased by almost 22% relative to FY 1992/93. This increase was due to a jump in government development expenditures. In the first half of the current fiscal year (1994/95), development expenditures have been reduced in response to falling revenues and reduced donor assistance. In the same six month-period recurrent expenditures have risen by 4% (D277 million in 1993/94 to D288.2 million in 1994/95) while revenue has fallen by about 2.6%. The overall fiscal deficit, before external financing is now projected at D86 million or 2.8% of GDP for FY 1994/95.

Performance Indicator: Real Interest Rate - The final performance indicator is the **real interest rate.** While nominal interest rates continue to decline, the sharp drop in inflation over the past year has caused the real interest rate to jump up to 11.5%. As noted in last year's Assessment of Program Impact, a high real interest rate should encourage savings which is good for mobilizing domestic resources but it also discourages borrowing and investing. It is unclear whether or not nominal rates will drop further during the current recession.

Program Outcome 1.2 - INCREASED EFFICIENCY OF FINANCIAL INTERMEDIATION

Performance Indicator: Deposits as a percentage of GDP - Financial intermediation has continued to improve as the percentage of savings and time deposits to GDP has increased to 12.2 of GDP in 1993/94. Nevertheless, commercial banks continue to be reluctant to mobilize savings because there is still too much uncertainty in extending loans. Also, the coup has significantly reduced the demand for loans by the private sector.

Performance Indicator: Spread Between Lending Rate and Deposit Rate - Little progress was made in improving the competitiveness of the banking sector, as the spread between lending rates and deposit rates grew wider from 8% in June 1993 to 9% in June 1994, reversing the trend from the baseline. There is little incentive for banks to compete by lowering lending rates further, due to the small size of the financial sector.

Performance Indicator: - Loans as a Percentage of Assets - The final performance indicator for this target is **commercial bank loans as a percentage of commercial bank assets.** In the past, banks were very reluctant to extend loans. However, it is somewhat encouraging to note that since the elimination of credit ceilings, loans as a percent of assets have increased from 25 percent in 1991 to 51 percent as of June 1994. However, because the Central Bank does not disaggregate this data into new loans and rescheduled loans, it is likely that a significant share of these loans reflect rescheduling as necessitated by the deteriorating economic conditions including the severe decline of the re-export trade.

	BASELINE	ACTUAL			
		1991/92	1992/93	1993/94	1994/95
Program Outcome 1.2: Increased Efficiency of Financial Intermediation Performance Indicators					
1) Savings and time deposits in commercial banks as % of GDP	9.5% 1990/91	8.4%	10.3%	12.2%	NA
2) Spread between prime lending rate at major bank and the savings deposit rate.	11% (23.5 - 12.5) 1990/91	10.0% (22.5 - 12.5)	8.0% (20.5 - 12.5)	9.0% (20.5 - 11.5)	NA
3) Commercial bank loans as a percentage of commercial bank assets	25.2% 1990/91	29.4%	44.4%	51.1%	NA

Program Outcome 1.3 - MORE FAVORABLE LEGAL AND REGULATORY ENVIRONMENT

As part of the strategy to improve the legal environment in the country, the Mission funded the introduction of modern court reporting technology and equipment, including the training of court reporters. This reform is expected to speed up processing of court cases and thereby reduce the long delays that lower confidence in the judicial system. The Mission had planned to measure progress by counting the **number of witnesses heard in court** during one session. However, the program was terminated before a baseline could be established, so this indicator is not available.

	BASELINE	ACTUAL			
		1991/92	1992/93	1993/94	1994/95
Program Outcome 1.3: More Favorable Legal & Regulatory Environment Performance Indicators:					
1) Increased number of witnesses heard in court	1993/94	NA	NA	NA	NA
2) Number of firms of 5 or more employees paying into Social Security	94 (1988)	147 (1992)	144 (1993)	128 (1994)	NA
3) Company tax as % of total tax revenue	7.7% 1985/86	8.4%	10.8%	11%	NA

Performance Indicator: Number of firms employing five or more employees - The remaining two performance indicators are designed to measure whether the Mission's activities to improve the enabling environment are having a positive impact. If the enabling environment has improved, then one would expect more private firms engaging in economic activity. As can be seen in the table, the **number of firms employing five or more employees** in eight sectors paying into Social Security increased between 1988 and 1992 by an average annual increase of almost 12 percent. However, the current recession has reduced the total number of firms to 128 by December 1994. It should be noted that most of these closed establishments are in the tourist industry, while the number of firms in the other eight sectors in the Mission's survey has remained stable.

Firms Operating Outside of Greater Banjul - The Mission's survey of economic activity outside of greater Banjul indicates that the number of firms employing five or more workers in Basse fell from 16 in 1992 to 14 in 1993, then to 13 firms in 1994. In Farafenni, the number of firms grew from 9 in 1992 to 12 in 1993 and the same figure in 1994.

Performance Indicator: Company Tax as a Percentage of Total Tax Revenue - The last performance indicator for this target measures **company profit taxes paid by firms as a percentage of overall tax revenue.** The Mission program expected that the reforms would lead to increased private sector activity and greater formalization of enterprises, thus broadening the tax base and increasing government revenue. Company taxes as a percent of total tax revenue did increase from 7.7 percent at the start of ERP to 10.8 percent in 1992/93, and increased again in 1993/94 to 11 percent. This increase is probably due to several factors, including: (1) the greater efficiency of the Central Revenue Office due to Mission-supported computerization of the tax system; (2) the announced FAPE-supported reform to reduce company tax from 50 percent to 35 percent; and (3) greater compliance based on the fear that business will be called before the on-going commissions of inquiry.

Program Outcome 1.4 - REDUCED ROLE OF STATE-OWNED ENTERPRISES

Performance Indicator: Number of Operating State-Owned Enterprises -

The number of SOEs dropped by only one over the last year to 17 for 1993/94. This reflects the privatization of the Livestock Marketing Board, one of the more important FAPE reforms. Progress has also been made on another front, in that the GOTG has been reducing its share in a number of enterprises. Of the remaining 17 operating SOEs, four are under performance contracts, one is actively for sale, one is leased to private operators, four have a GOTG minority share holding, one has a 51% GOTG share holding, and seven are 100% GOTG owned and operated. Nevertheless, the absence of an effective and transparent mechanism to monitor and collect SOE's fiscal obligations to Government is adversely affecting its financial resource mobilization capacity. Implementation of these measures will be a key instrument in broadening the revenue base, especially as some of the better performing SOEs (Gambia Telephone and Gambia Port Authority) continue to transfer funds to Government in ways which are not always recorded in its consolidated budget exercise into corruption during the previous regime.

	BASELINE	ACTUAL			
		1991/92	1992/93	1993/94	1994/95
Program Outcome 1.4: Reduced Role of State-owned Enterprises Performance Indicators					
1) Number of Operating State-owned enterprises	23 (1984/85)	21	18	17	NA

STRATEGIC OBJECTIVE TWO - SUSTAINED INCREASES IN AGRICULTURAL PRODUCTION IN AREAS UNDER IMPROVED NRM PRACTICES

The Mission addressed Strategic Objective Two through the Agriculture and Natural Resources (ANR) Program, an NPA program with a complementary support project.

Through the ANR Program, the Gambian national environmental action plan (GEAP) was approved, a GEAP investment program was completed and the GOTG created the new National Environmental Agency under the Office of the President to oversee all environmental matters in The Gambia. The newly-combined Ministry of Agriculture and Natural Resources is also now using program-based budgeting introduced by the project.

Actions towards Strategic Objective 2 were being carried out largely through the Mission's Agriculture and Natural Resources (ANR) Project, and, in turn, through the activities of the prime institutional contractor. The contractor was selected and deployed in June 1993, marking the beginning of intensive implementation of the Project. Under the contract, a community-based natural resource management program was to be implemented, largely through grants to NGOs. Program impacts, as defined by the API performance indicators, were to be achieved through activities conducted under these grants. Thus the early termination of the program after the coup cut off ANR before it could move from setting enabling conditions for people-level impact.

With support from the ANR project, one pilot Community Resource Management Agreement (CRMA) was negotiated and implemented. CRMAs were at the heart of ANR's program strategy to transfer the responsibility of managing common natural resources from the central government to the local communities where the resources are located. Four land tenure research case studies were completed which form the basis for establishing additional CRMAs. A nationwide aerial photographic survey was also completed to establish a natural resources inventory and an environmental monitoring capability.

Through an earlier USAID effort, the Soil and Water Management Project, measures to control erosion and saltwater intrusion and the introduction of improved varieties and agronomic practices resulted in substantial increases in returns to Gambian farmers. Over 20,000 farmers in 78 villages benefitted from lowland and upland rice cultivation rehabilitation work. Their production has increased by well over 50%. These same technologies are still being used by groups such as Save the Children which continues to contract for the services of the Soil and Water Management Unit. Site visits reveal that land is being reclaimed and put back into rice production.

The Gambia was among the first five countries in Africa to participate in the U.S. State Department's climate change country studies program. This ongoing study complements the completed UNDP greenhouse gas inventory.

The indicators for the ANR program have been included in Annex A in order to preserve the extensive work that was done to establish the framework. The data was to have been collected through the community-level resource field agreements and activities. The institutional contractor was charged with collecting this data from the participating NGOs and community groups and maintaining the data base. Unfortunately these activities were terminated the week following the coup just as the GOTG and USAID were due to meet and approve the first six NGO field grants. As activities had not been initiated the Missions stopped any further consideration of these activities. A rich baseline of country wide data exists in Phil DeCosse's 1992 baseline report (see Annex B for full reference) and can be used to establish the baseline for any future intervention in agriculture or natural resource management.

SECTION IV

LESSONS LEARNED USAID/GAMBIA

As this API closes a chapter on the USAID program in The Gambia, the Mission presents a special section on key lessons learned. These lessons are drawn from the final reports of the major institutional contractors supporting the program -- Nathan Associates, AMEX International, the Harvard Institute for International Development (HIID), and the International Resources Group (IRG). Contract and Mission staff as well as several Gambian interlocutors have also offered their observations and recommendations citing in particular those lessons which have become most poignant since the coup d'etat of July 22, 1994.

We believe strongly that much of USAID assistance has been successful and highly effective. We are particularly proud of the close collaboration with the World Bank in negotiating policy conditionality and of our supporting technical assistance activities. In addition, the rich history of the program in identifying new technologies continues to provide a strong technical basis for NGO programs in the country. The following lessons stress the negatives rather than the positive. We seek to learn from our mistakes and hope that the next time we can provide assistance in even more effective ways. The following is a frank discussion of what could have been done differently. It is in no way meant to criticize those who went before us.

General Lessons

- **Institutionalization of Policy Reform** - The most positive lesson of the coup d'etat was the realization that policy reform must be a long-term, continuous process. After the coup many of the expatriate advisors and consultants were withdrawn from the Ministry of Finance and Central Bank. However, because the Gambians had been intimately involved with the reforms since 1984, there was strong institutional support for them. One senior permanent secretary expressed the view that he feared policy reversals, because he had come to really believe in the reforms. The World Bank mission of February 1995 found that technocrats in the Ministry of Finance and Central Bank had been able to protect the essential elements of the reform and keep the lid on the budget. The value of the Dalasi did not plummet, as some expected, immediately after the coup primarily because of the indirect monetary management (matching the supply of foreign exchange with demand) by the Central Bank. While the demand for foreign exchange fell thus somewhat simplifying the Central Bank's task, it is also notable that officials were able to resist the ruling council pressures to tamper with or fix the exchange rate. We attribute this success to the fact that the long effort of reform had been institutionalized and was "owned" by senior Gambian policy makers. While there is increasing evidence of the erosion of these reforms, it is probably more a matter of how long these technocrats can resist directives from the military rather than the weakness of the reforms.

● **Public Educate, Debate and Support is a Critical Element of Policy Reform** - Another recurrent theme of the final reports and interviews, is the need in policy reform to couple the support of senior government officials with that of enhanced public education and opportunities for debate. Issues such as the fairness and equity of reforms need to be understood. To an extent, the FSR and FAPE technical assistance components recognized the need for public debate within the context of revising the business laws. Drafts of proposed legal texts were widely distributed to both the private and public sector and discussed in public workshops that were attended by the press. However it is also clear that more should have been done with respect to issues such as privatization, debt recovery and tax compliance. This kind of effort was also needed to change the culture with respect to these reforms but also to sustain the macro-economic policy reforms. Frequent and open public discussions of the issues would have helped consolidate internal and external support. However, most negotiations took place in secret, behind closed doors.

One private businessman said the "young people don't remember." While the need for reforms was abundantly clear in 1984 when the first macro-economic policy reforms programs were undertaken, the young people who have become supporters of the military coup and critics of the former regime, simply do not remember how bad things really were in the early 1980s. Our evidence indicates that the economy has been growing, albeit not at a rate to match population growth, and inflation has been brought under control. However, the youth and new generation of voters lack reference to the historical context of these improvements. Public debate would have helped remind people of the economic conditions a decade earlier and could have served to show that progress was being made.

● **The "Perversity" of The Reforms** - Senior Gambian interlocutors have made the ironic point that the very success of the economic reforms of the last decade are helping the military leaders to hold on to power. They argue that had the coup d'etat occurred in 1984, the economy would have quickly ground to a halt and popular support for the military leaders would have already disappeared. While the private sector, now eight months after the coup, is "limping along," it is still operating albeit at very low levels. If the now-privatized operations were still in the hands of the government, these observers believe operations would have already halted. Further the earnings of the now-profitable public sectors agencies operated under performance contracts have continued to contribute revenues to the government. And finally, as a result of civil service downsizing, the government payroll is only 20 percent of the government's budget and therefore fairly easy to cover and avoid unrest among civil servants. The "perversity" lies in the fact that the benefits of these reforms is aiding the continuation of military rule. While this by no means constitutes an argument for not undertaking such reforms, it nevertheless undercuts the military government's criticisms of the former regime's acceptance of "donor-imposed" reforms on a "sovereign government." Clearly the impact of the reforms brought inflation down from 80 percent to only a single digit and contributed to the building of six months of foreign exchange reserves and the modest economic growth that the country has achieved in recent years.

FSR Lessons

- **Privatization and Debt Recovery are Economic AND Political Actions with the Potential to Contribute to Significant Political Upheaval** - USAID-supported policy reforms, co-sponsored with the World Bank, included privatization (as described in the following example) as well as recovery of outstanding debts owed to the defunct Gambia Commercial and Development Bank (GCDB). The establishment of the Asset Management and Recovery Corporation (AMRC) to recover the bad debts of the GCDB was viewed by some as an action that was forced upon the GOTG. The reality was perhaps the donors were a convenient scapegoat as the Government had long not acknowledge the problems the GCDB had been encountering and that the bank was badly managed. The true financial status of the bank had been hidden from the public over a period of years. For example, over three consecutive years the bank reported profits of 3.0 million Dalasis (roughly $300,000) followed by an audit that reported losses of 87 million Dalasis (roughly $8.7 million) in a single year. While GOTG management was inept, and probably corrupt, both donors and the GOTG had long acted as if the GCDB was healthy. One observer later said, the bank was "rotten to the core." Nevertheless, the donors had been actively providing both technical assistance and financial support. Therefore, the abrupt announcement of the true financial state of the bank and the need to privatize was met with shock after a long period of denial that anything was wrong. While the reality was that the GOTG had no option but to liquidate the bank, privatize its assets, and turn over the effort of debt recovery to an independent agency, the public really was not convinced that these drastic actions were necessary. Nevertheless, the public grew increasingly dissatisfied with the Government as they began to question how their leaders had allowed this state of affairs to evolve.

As a consequence, World Bank established conditionality to liquidate the GCDB and set up AMRC. USAID supported this conditionality and went on to establish specific debt-recovery targets, as recommended by a Big-8 accounting firm, for release of future NPA grant tranches. The involvement of an independent and reputable firm proved to be vital in lending credibility and establishing a trustworthy image for AMRC. It also helped build confidence between the donors and AMRC. Similarly, Gambian observers agree that the collaboration and support of the two powerful major donors was also critical. They valued the USAID on-the-ground presence and their day-to-day involvement and support. Finally, the "shelter" offered by the donors for the civil servants by pointing out the problems and possible solutions was perceived as a critical ingredient. Donors were also able to provide the logistic support needed to get AMRC operational. Skeptics were doubtful about the prospects of success. For example, the chairman of the parliamentary finance committee publicly stated that AMRC was destined to fail and that therefore it was a waste of resources to invest in the operation. Therefore USAID's willingness to purchase computers and other equipment was a critical input that enabled the initiation of the program.

While all documentation acknowledged that a high level of political commitment was needed and that there were high political costs associated with the debt recovery actions, strategies were not consciously developed in advance to address all of the constraints. The assumption that expatriate technical assistance would help diffuse these issues proved to be only partially justified. AMRC indeed needed technical expertise to analyze the debt and develop payment schedules; however, while the selected advisor had strong technical and banking skills, he lacked African experience and had inadequate negotiating skills. He therefore became isolated from the Gambian counterparts.

The Gambian leadership recognized the need to actively seek out and develop strong allies. The U.S. Ambassador and USAID Representative were willing partners in this effort. However, it was often the Gambian leadership that made specific suggestions as to who and when leaders needed to be contacted and "brought on board." The importance of continuity was also underscored when key staff at the U.S. mission changed. For example, the USAID Representative departed post at a critical moment when the AMRC was tackling the case of the biggest debtor and was only replaced five months later. While the U.S. Ambassador worked with USAID to fill this void, some Gambians nevertheless criticized the long absence of a USAID Representative.

It was also the Gambian leaders who recognized the need to have support from the press and actively cultivate their interest and develop an understanding of the situation. However, not all of the press coverage was helpful as it tended to personalize the issues as one where USAID leadership was pitted against particular debtors. A more sophisticated press could have sought out the views of the opposition leaders and other Gambians.

Support was also built with other key institutions. Initially senior bureaucrats were hostile to the recovery efforts and had to be cultivated and brought into the team. This succeeded with the Permanent Secretary of Finance, the Solicitor General and the Chairman of the AMRC Board; however, the donor-AMRC team failed to ever bring "on-board" the Chief Justice. Instead, the judiciary became antagonistic because the process of prosecution illustrated the weaknesses in the system. One justice official apparently told an AMRC official, "I hate you, because you made me look bad in my court."

The "textbook" solution to debt recovery is to "fry the big fish" and then work with the small debtors to develop repayment schedules before seeking court actions to attach their assets. In this case, less than one percent (38 out of 4,729) of the debtors owed 69 percent (230 million of the total of 331 million Dalasis) of the debt. While collecting from the smaller debtors was much easier, it would have had much less impact. AMRC followed this strategy and USAID and the World Bank supported it. However, not only were the "big fish" stalwarts of the President's political party, but among them were the former management of the GCDB, chiefs and religious leaders. As a result the local elite were the large debtors that AMRC challenged first. These individuals saw their interests threatened and as a result the regime hid behind the respect for the rule of law awaiting protracted courts cases, suits and countersuits.[1]

The signals that the kitchen was getting hot came when it became clear that the senior ministers and even the President did attempt to intervene in one case. The President feared the loss of support of these key people and failed to understand that once these individuals no longer wielded their resources and assets their power to threaten the system would be greatly reduced. Leadership at the AMRC believed as civil servants they couldn't address this problem or alert the political machinery. Whether rightly or wrongly, the heavy lifting on this issue was left to the big donors who too did not adequately see the warning signals and failed to sound an alarm. Nevertheless, concentrating the initial effort on the few major debtors, while delaying efforts to collect from the more than 4,000 major debtors avoided the building of a coalition of all debtors against the AMRC and its recovery program particularly at the outset when the organization was still weak. The approach also helped deliver visible and significant recovery results early and thereby build some public support.

However, as the recovery efforts began to lag and AMRC failed to meet the

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[1] The President and senior ministers repeatedly urged the donors to allow the functioning of the courts to hear the cases of individual debtors. Thus there was an implicit assumption that the judiciary branch of government was independent. However, cases were not pursued in a timely manner. Even if the courts were independent, they were corrupt. Decision-makers used the excuse of the presumed independence of the courts to justify not intervening in individual cases. However informed observers, believe that the government did intervene, but on behalf of the big debtors. Some said that the small debtors were also able to use the courts to delay judgement, because their cases were so similar to the "big fish" that if the courts found judgement on behalf of the "small fish" then indeed the big debtors would have to be judged equally. Others said that because GCDB was corrupt and involved in receiving kickbacks throughout the loan process, it would have been "unfair" to collect from the debtors since the management of the GCDB was itself involved in the demise of the institution.

recovery targets, USAID remained firm and withheld disbursement of the NPA tranche. Meanwhile, the "rule of law" approach began to backfire as public confidence eroded as it became increasingly clear that the GOTG was not aggressively taking on the "big fish." Although it was unclear to the general public how it would be possible to get repayment from these debtors as they had such a high degree of influence within the regime. As the court cases began to drag on, the public began to question the regime's resolve to deal with corruption that affected the local elite. Following the July 22, 1994 coup d'etat the failure of the ruling party to pursue the large debtors was an oft-cited example of the corruption that the military leaders believed to be rampant. In reality, on the corruption-scale The Gambia would probably rank at the low end, but it nevertheless existed. In retrospect, the donors and regime failed to recognize that it was probably worth the sacrifice of the relatively few big fish. Similarly, in hindsight, the U.S. should have been more sensitive to the growing political instability.

The major lessons from this experience are:

> * The effort was far more difficult and complex than originally envisaged. Not only did the mechanics of debt recovery need to be addressed, but there were other constraints which surfaced. This complexity argues for a high degree of flexibility in project design as well as a careful technical, institutional <u>and</u> political analysis of the whole system of debt recovery, including the judicial and enforcement mechanisms. In particular this analysis should include the degree of government involvement and support needed in all these areas. The problems of the GCDB were ignored for many years and the donors needed to be more aware of all aspects of the problem before embarking on such a project. USAID did respond to the complexity by demonstrating its willingness to be flexible and to address the constraints that had not been adequately identified in the design. This approach also allowed the management of the AMRC to be actively involved in the design of strategies to address the constraints as they became evident. The lessons are thus twofold: (1) analyze carefully up-front, but (2) allow a high degree of flexibility because only through implementation and action will certain problems emerge.
>
> * The major constraints that emerged which had not been adequately addressed in the design were:
>
> > --the lack of an independent judiciary;
> >
> > --the inefficiency of the court system (E.g., the case load could not be managed because judges worked only half days taking their own notes of the trial, and then worked the second half of the day transcribing their notes);

--the weakness of the enforcement mechanisms. As a result after the protracted court battles and when a judgement favorable to AMRC was finally obtained, the sheriff's office simply did not act to take title to the property and assets awarded to AMRC;

--the need to develop public support, build coalitions and develop strategies to gain support for the program.

* Reforming the administration of the court system proved to be as critical as reforming the laws that would enable enforcement of court judgements. Consequently the FSR project funded the drafting of three laws to improve debt recovery: The Mortgages Act, the Sheriff's Act and the Insolvency Act. USAID also began training court reporters and purchasing the specialized equipment needed to transcribe hearings. This activity was widely appreciated and helped create the environment where decision makers were willing to strengthen the enforcement mechanisms.

* Establishing trust and credibility among government, donors, the political regime and the entity managing the debt recovery is critical. Key elements of this process involves educating the donors about local conditions, creating flexible mechanisms, recognizing one another's respective limitations and building a common understanding of objectives and targets that are to be used in evaluating progress.

* The program not only needed to address the technical constraints, but also the culture of non-repayment of debt among the political elite who were profiting from the system. Simultaneously the country was attempting to liberalize its economic policies. These were major and complex changes that required time. While the economic liberalization occurred over a ten-year period and was becoming institutionalized, the question of developing a culture of repayment was not addressed adequately. It was common knowledge who the largest debtors were. Additional considerations needed to be given to determining how it would be possible to collect from them and whether the costs involved justified the benefits that would be derived.

* Because of the political dimensions related to debt recovery, visible donor support as well as high-level Government commitment and leadership must be maintained throughout the program. A strong government role is essential but there is a risk of political repercussions. If there are difficulties in obtaining such commitment, it is a warning signal not to be ignored that achieving results will be extremely difficult and perhaps impossible.

* One knowledgeable observer suggested that debt recovery can best be achieved during the transition from an old to a new regime. While this

opportunity does not always present itself, timing such efforts to coincide with a political transition should be considered. In the case of The Gambia, debtors and delinquent tax payers have indeed come forward to "regularize" their cases since the coup. Certainly part of the new willingness to pay-up is out of fear of the military government, but it is also because these individual no longer wish to be associated with the former "discredited" regime.

While the project team, the AMRC staff, USAID and the World Bank eventually developed strategies for addressing some of these problems, the major lesson is that the overall effort was far more complex than originally thought. At the outset, there should have been a more thorough analysis of the whole system and the constraints. The design should have included appropriate strategies to address the constraints. Through the process of implementation, AMRC and USAID eventually built a relationship of trust and the partnership was working. However, the intervention of the coup ended this collaboration and so the final chapter on the AMRC is still to be written. AMRC continues to pursue its mandate and we hope that the institution's strength and the political commitment can evolve to the point where the continued efforts can be sustained by Gambians. This task will not be easy, but we fully believe there are Gambian leaders capable of meeting the challenge.

FAPE Lessons

- **Public Support for Privatization** - While the historical record of the non-performance of the Gambian state-owned enterprises (SOEs) is absolutely clear, more attention should have been given to explaining the need for privatization and building public support among the people. The case of the Gambia Produce Marketing Board (GPMB) is the best documented in a study prepared under the Privatization and Development Project under a centrally-funded contract with Abt Associates. When SOE operations were profitable, the government raided revenues for other government expenditures; when the operations were not profitable, huge amounts of public revenues had to be spent to keep the SOE running. At the same time numerous unprofitable businesses were dumped upon GPMB. Theft, no-interest loans to employees and lack of internal controls were well-documented. Expensive equipment was not maintained and in at least one case it was probably deliberately sabotaged when it became clear that the board was to be privatized. Despite these facts, much of the press coverage and public feeling since the coup d'etat has raised the ugly issue of donor-imposed privatization on a "sovereign nation." While many of those making such statements are discredited former officials, the military is nevertheless receptive to such criticisms. Even more discouraging are the actions of the military ruling council which may lead to the reversal of privatization actions and the abolition of the bonuses for those parastatals under performance contracts. Confusion and mis-information is becoming the norm of the day with the press and ruling council accusing the former government of selling the assets of the privatized SOE far below "book value." Several lessons are clear:

* An effort to publicize and engage in a public debate about the advantages and disadvantages of privatization are needed prior to any action.

* The "true" state of the financial books and the value of assets should be widely publicized.

* The bidding process, selection of the winning bidder and negotiation of the purchase contract must be beyond question. Every effort must be made to recuse those who have a personal interest from these processes. Perhaps even more desirable would be to contract the services of an internationally reputable firm to handle the processes.[2] Good records and clear memoranda of decisions may become necessary at future dates.

* No matter how fair, open and honest the whole privatization process, those who oppose privatization will use corruption and others reasons to justify why privatization should not occur.

● **Sequencing Administrative Improvements and Tax Reform** - The tax reform efforts tackled both tax administration and tax policy, specifically seeking to lower taxes. USAID worked with the institutional contractor to improve the office setting (lighting, air conditioning, filing) to improve the work environment and install a sense of professional pride. It also financed the development of tax administration software, its installation and the training of staff. When the Revenue Department began to realize that revenues could be increased by improving efficiency, they were willing to consider and did approve the reduction in tax rates. Over the past year income tax revenues have increased by 167 percent. The major lesson is that the sequence of a tax reform program should begin with administrative improvements and then proceed to the tax policy issues.

● **For Human Capacity Building, Short-term Recurrent TA May be Superior to Long-term TA** - FAPE followed on a series of policy reform activities and technical assistance (TA) efforts to strengthen the Ministry of Finance. It is perhaps not unfair to say that a culture had been developed whereby senior ministry officials relied on the long-term technical advisor for the "really important work." This created resentment among Gambian professionals, some of whom had received

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[2] The original scope of work for the privatization process did include a sub-contract with an international firm to handle the bidding process. This was eventually rejected, because it was expensive and USAID feared that it would become associated with the charges of corruption which had surfaced long before the actual bidding process started.

degree training in the U.S., but who upon their return were not given adequate opportunities to grow in their responsibilities. At the same time, long-term advisors by the very nature of their "long-term" presence were hard pressed to refuse assignments from senior levels. Further, the system encouraged this problem. Because information was power, some senior officials only felt comfortable sharing sensitive information with expatriates. Nevertheless one USAID direct hire official was praised for his broad dissemination of information and willingness to meet with and informally train Gambians. However, overall efforts to mentor and develop local leadership were not always adequate or possible.

By contrast, the advisors provided to the Central Revenue Department were only available on a short-term basis; however, very importantly the same team of three people, provided their services on a recurrent basis. The advantages of this approach, in our view, clearly outweigh the disadvantages of higher costs per person day of assistance. These advantages included: (1) assuring greater ownership of the effort by Gambians; (2) the inability of the expatriate advisors to become the "righthand" of the senior government officials; (3) learning took place and when things weren't working, the Gambian staff knew the advisors would return shortly to help address specific problems; and (4) because the same advisors returned, they didn't have to relearn the country situation for each consultancy.

We suggest, that at this point in Gambia's development, where there are at least minimal levels of Gambian experts who only lack experience, that the "short-term-recurrent" model may be more appropriate in the 1990s. Such an approach is consistent with the approach of calling on our development partners to take responsibility for their own future. Another lesson in this regard is the failure of USAID to insist upon counterparts for each advisor.

- **Lack of Staff Incentives** - While frequently bemoaned by donors and Gambians alike, it was a well-known fact that the salary and incentive structure for civil servants was inadequate. These inadequacies certainly have contributed to the accusation of wide-spread corruption in high places. Those civil servants who were competent were generally believed to remain in their positions out of a high degree of loyalty and patriotism. Because advancement was not necessarily based on performance and level of competence, there were also inadequate incentives to participate in the on-the-job training seminars offered by the expatriate advisors. Future efforts must address the issue of incentives as a precondition of assistance. At the same time assistance should be provided to put in place an adequate incentive system.

- **Promote the Private Sector, via the Private Sector, Not Government** - The design of the FAPE program relied heavily on the role of the National Investment Board, a government agency, which not only was poorly staffed, but had little understanding of the needs of the private sector. For example, with respect to promoting tourism, project experience demonstrated that private groups such as the Hotels Association had a far better grasp of the challenges and potential solutions. The greatest single contribution that government could and did make was the establishment of an economic incentive environment which encouraged private investment. The stable exchange rate and the open economy contributed far more to tourism than any government investment or activity.

- **Maximize the Comparative Advantage of Government, the Private Sector and Donors** - While the FAPE program emphasized creating the incentive environment through its non-project assistance (NPA), the idea of providing direct assistance to businesses proved problematic. Given the high costs of technical assistance, it became more practical to focus on relatively large rather than small and medium-sized enterprises. Arguably these firms could afford their own technical services. A more appropriate donor role would perhaps have focused on investments in infrastructure -- the port, airport, roads. However, such investment are costly and generally beyond the "envelope" of USAID. Donors such as the World Bank and African Development Bank are more suited to undertaking such investments. This lesson reinforces the importance of donor coordination and collaboration in supporting programs.

- **Firm-Level Assistance Requires A Sustained Effort over a Period of Time** - The FAPE design was overambitious in that it assumed that short-term technical assistance could have a significant effect on the typical Gambian business. Instead, the Mission learned that one-time, short-term assistance had a minimal impact on the long-term sustainability of a business. It also learned that international promotion is a much more sophisticated undertaking than originally envisaged that requires a high level of costly professional assistance.

- **Link Financial Capacity to Technical Assistance** - The original design of the FAPE program called for both financial and technical assistance to firms. However, the Washington review committee specifically excluded financial assistance to firms allowing only technical assistance. In any event, the level of financial assistance which proved to be necessary would have been beyond USAID's capacity. A better approach would have been to link commercial banks or secondary sources, such as the Africa Project Development Fund, to the technical assistance efforts of the FAPE project.

● **Be Conscious of "Natural" Markets** - The FAPE project design emphasized trade with the United States rather than the traditional markets in Europe for tourism, horticulture and floriculture products. While trade with the U.S. market may have materialized over time, certainly over the medium-term there were far greater opportunities to exploit the links with the "natural" markets in Europe.

● **Education, Education, Education** - The level of basic education in The Gambia remains extremely low. Government expenditures on education, while rising prior to the coup, were still insufficient to support the rapidly growing population and the economic development of the country. The greatest weakness in the "Gateway Vision" (the expansion of infrastructure at the port and airport as well as the creation of free port and duty free zones as an entree into the West African markets), remains the low human capacity of the country. Future growth of the country is inextricably linked to increasing the educational and skill levels of the Gambian people.

● **Attracting Foreign Investment** - Prior to the coup, The Gambia had several major advantages which attracted foreign investors: (1) the small size, the efficiency of the port and the superior telecommunications systems; (2) the widely-held view that it was the most stable nation in the region; (3) the liberal macro-economic policy; and (4) the ease of doing business and the relatively-low business transactions costs and levels of corruption, notwithstanding the views of the leaders of the military coup. In summary, The Gambia was the country of preference in the region for potential investors. It goes without saying that the image of stability must be restored if investments are to be restored. Further work on the investment code, the tax regime, and greater consistency and transparency in the investment process are also needed.

ANR Lessons

● **Enhancing the Policy Analysis and Formulation Capacity is Essential** - By the time the ANR policy conditions were negotiated, the GOTG had fairly extensive experience in negotiating conditionality. As a result, according to one senior official of the former government, the conditions were relatively more clear and accepted by the government than previous "policy packages." Nevertheless, it was still necessary to establish a GOTG working group to form a common understanding of the policy analysis needs and formulation process. They then were able to oversee the analysis of issues and the implementation of the specific reforms. As a result, the GOTG was well on the road to meeting the conditions for the disbursement of the third tranche of funds, ahead of schedule, when the coup occurred.

Notwithstanding this success, ministry personnel remained skeptical that the benefits of the policies would "trickle-down" in terms of increased revenues for ministry programs. In addition, as has been learned elsewhere, and even with the previous policy experience in The Gambia, the policy component of the program took more Mission management time that originally planned.

● **Policy Formulation and Decentralization Must Go Hand-in-Hand and Time Is Needed** - The ANR Program was centered around information flows and feedback loops. Policy formulation was to be based on field experience and visa versa. It was critical to understand however, that policy formulation was not the sole responsibility of the Ministries in Banjul.

Policy development itself must be generated and defined at a more decentralized level than what was called for in the original design. ANR Program implementors understood this and the program had begun to address this constraint. Indeed, the ANR program was on its way to establishing the conditions in The Gambia whereby policy would be formulated both by central and local entities, based on relevant field successes and experiences. The termination of the progress toward this goal has been felt keenly, especially since USAID was the lead and key donor in this strategy.

Had the ANR Program continued, it would have progressively decentralized its activities to ensure that the policy issues advanced at the national level (forest and parks policy, land tenure, etc.) would have been actively debated in district governments, village development councils and other local government structures. As the program progressed, it became increasingly clear that its focus was therefore as much the encouragement of democratic participation around environmental issues as it was a simple focus on the environment.

Other programs which attempt to link policy with community management will do well to recognize this link to local participation and governance early on. Without this local participation and engagement, sustainability will remain elusive.

● **Program Budgeting Requires A Long Time and More Resources than Expected** - The project design underestimated both the time required to institute a program budgeting system, as well as the training needs and the associated costs of maintaining equipment. Upon departure from the country, the long-term expert associated with this component estimated five years were needed to fully institutionalize such a system in a single ministry. The very concept of budgeting for an objective (as opposed to a cost such as "transport") was difficult to comprehend and when he began to help individuals prepare "objective statements" he realized the magnitude of the tasks ahead. Interestingly, this experience is probably closely akin to that of the Africa Bureau in attempting to develop a planning and budgeting system for the Development Fund for Africa.

- **Assuring the Sustainability of Environmental Information Systems is Difficult Given their Complexity and Highly Technical Nature** - The Gambia has initiated an environmental information system (EIS) that is a model for Africa. A ten member Gambian team has been trained in EIS and aerial photo interpretation and are a resource which will contribute to sustaining this investment. However, because an EIS system is highly technical and complex, some level of continuing technical assistance is needed to sustain it. Sustaining this investment will also require a high-level of leadership and without it, the huge investment in photography and computer hardware and software may be lost. Because of the fragility of these systems, it would be desirable to design from the outset some level of support from regional organizations and other donors. The USAID investment of over one million dollars could be lost unless some other mechanism is found to continue some level of technical support so that the system can be exploited and applied not only in The Gambia but throughout West Africa.

- **NGOs May Not Have the Capacity to Respond to a Supply-Driven Solution** - The ANR program included a large, $2.0 million, component to allow sub-grants to local non-governmental organizations (NGOs) and community organizations. The analyses for the design of the ANR program found a large number of NGOs working in rural areas and in particular in the agriculture and natural resources sector. Therefore, it was assumed in the project design that the availability of the grant funds would spontaneously increase the capacity of NGOs to undertake more work in the ANR sector. Surprisingly the Mission and project contractor found that this component did not "take-off" immediately and that it, in fact, was the most difficult project activity to get started. A number of lessons were learned:

    * NGOs have their own programs and are not necessarily willing to expand their operations in response only to the availability of additional funds.

    * The concept of the community assuming legal control of its resources is highly complex and particularly difficult in countries where the government has held ownership of the natural resources.

    * The vision of community-based natural resource management (NRM) activities had to be expanded to include a focus on empowering villagers to challenge their perceptions of their place in society. Tools such as rapid rural appraisal, consulting with village leaders, working through community structures such as the village development committee and the <u>kafos</u> (brotherhoods/sisterhoods which organize around a tasks), and strengthening

of village structures and local participation were preconditions to getting viable community-based activities started.

* The concept of Community Management Resource Agreements (CMRA) while well-understood and liked by the donor was too complex to be readily bought-into by ministry officials and communities. A better approach would have emphasized the replication of improved agricultural practices, with the CMRAs being implemented in far fewer villages once the communities had "graduated" to a higher level of organization and institutional capacity.

● **Environmental Education Can Be Achieved Through Many Mechanisms** - The environmental education activities were among the most successful of the program -- even though they were initiated shortly prior to the coup. An environmental education strategic plan for the country was completed, teachers recognized the need to incorporate environmental education principles throughout their curricula, and the first environmental awards was launched and completed with an excellent level of local participation. The long-term advisor found a multitude of avenues to promote environmental education, including through Peace Corps Volunteers, U.S. PVOs working in-country, primary schools, youth clubs, private citizen organizations and agricultural extension workers. An outgrowth of many of the education efforts was a demand for small amounts of money to support locally-initiated activities such as school gardens, fencing for woodlot protection, water storage containers for collecting rainwater, gully-rehabilitation materials and small transportation costs for moving peanut waste for mulching and composting. As a result, the demand for the advisor's services quickly grew as government, NGOs and international organizations sought her advice and requested her to participate as a trainer in a wide-range of workshops.

The success of the environmental education activities demonstrate that they might have been a better departure point for the community-based NRM activities than the CMRAs. The emphasis on education appeared to create a demand for NRM activities. Thus the grants component might have had greater success if had been scheduled later in the project after the environmental education activities had been well-established.

HRDA Lessons

● **Gender Equity in Training Programs is Very Hard to Achieve** - The Mission is painfully aware of its poor track record with regard to the training of women. It struggled to identify ways to increase female participation in both the bilateral projects as well as the HRDA project. It was nearly impossible to identify qualified women for overseas training. This was primarily because the mission focussed its overseas and third country training on undergraduate and graduate level degree training and because of the extremely high illiteracy rate (70 percent country-wide, but much higher for women). Thus, women applicants did not meet the most basic qualification for this kind of training. Eventually, the mission began emphasizing women in its in-country training programs focussing on entrepreneurship and business management. It enhanced the ability of women to participate by ensuring that the training was offered in the local languages. Despite these efforts, the mission was never fully satisfied with its efforts to increase gender equity in its training programs. The major lesson is that in future efforts we will need expert help designing our training programs so that we can address this problem.

ANNEX A

PERFORMANCE INDICATORS FRAMEWORK IMPROVED AGRICULTURAL PRACTICES

	BASELINE	ACTUAL/PLANNED				
		1995	1996	1997	1998	1999
SO 2: SUSTAINABLE INCREASES IN AGRICULTURAL PRODUCTION IN AREAS UNDER IMPROVED NRM PRACTICES **Performance Indicators:**						
Comparison of production in project-affected areas with unaffected areas.						
a) Crop Production Definition: Weighted average of kg/ha in managed areas versus non-managed areas.	1994					
b) Forest production. Definition: Volume (cubic meters/ha) of useful (e.g. fuelwood, forage, construction, food, etc.) biomass on managed lands versus non-managed lands	1994					
c) Range production Definition: Weight of useful biomass on managed lands versus non-managed lands	1994					
2. Rainfall in Project targeted areas a. Project areas A b. Project areas B	1994					
Target 2.1 Increased Adoption of Improved NRM Practices in Target Areas						
1) Impact of increased adoption of improved NRM practices						

	BASELINE	ACTUAL/PLANNED				
		1995	1996	1997	1998	1999
a) soil fertility 1. contour ridges 2. alley cropping 3. other practices to be measured in consultation with NGOs Definition: soil fertility on managed lands compared with soil fertility on nonmanaged land. Fertility is measured by P, K, EC, and Ph as determined by soil testing	1994					
b) soil erosion Practices to be determined at a later date. Definition: Rate of soil erosion on managed lands compared with the rate soil erosion on nonmanaged land. The rate of degradation is measured by the Universal Soil lost equation or alternative means.	1994					
c) forest resources Practices to be determined at a later date.	1994					
d) range resources Practices to be determined at a later date	1994					
TARGET 2.2: More Favorable Legal and Regulatory Environment. Indicators:						
1. Number of approved community resource management agreements (CRMAs) in project areas:						
a) agricultural agreements	1994					
b) forestry/range agreements	1994					
2. Number of hectares managed per community resource management agreements (CRMAs) in project targeted areas in the following subsectors:						
a) crop land	1994					
b) forest management	1994					
c) range management	1994					

	BASELINE	ACTUAL/PLANNED				
		1995	1996	1997	1998	1999
3. Number of approved Community resources management agreements in nonproject areas.						
a) agricultural agreements;	133 (1992)					
b) forestry/range agreements.	3 (1992)					
4. Increased hectares under NRM practices outside ANR targeted areas.						
a) forest lands	1994					
b) range lands	1994					
c) crop land						

ANNEX B

LESSONS LEARNED BIBLIOGRAPHY

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